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Jay C. Keithley
Vice President
Law and External Affairs
United Telephone Companies

November 30, 1993

Mr. William F. Caton, Acting Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20036

RE: In the Matter of Implementation of Section 309(j) of the Communications Act
Competitive Bidding, PP Docket No. 93-253

Dear Mr. Caton:

Attached are the original and four copies of the Reply Comments of Sprint Corporation in the matter referenced above.

Sincerely,

Jay C. Keithley
Vice President
Law and External Affairs

Attachment

JCK/mlm

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Implementation of Section 309(j) of the Communications Act Competitive Bidding	)	PP Docket No. 93-253

REPLY COMMENTS OF SPRINT CORPORATION

Respectfully submitted,

SPRINT CORPORATION

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November 30, 1993

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SUMMARY

Sprint supports the development and deployment of PCS in a manner that fulfills the Congressional intent to promote diversity of ownership, avoid undue market concentration and facilitate rapid availability of PCS. Sprint believes that proper auction design is key to meeting this mandate.

An acceptable auction design should be oral sequential bids ordered from largest to smallest MTA. The BTAs should then be similarly auctioned. Simultaneous bidding, whether it is electronic or multiple rounds of sealed bids, should not be adopted. In Sprint's view, sequential auctions provide information to bidders that is superior to that provided in simultaneous auctions.

Combinatorial bidding, as outlined in the NPRM, should be rejected because it is inherently biased in favor of the creation of a nationally dominant PCS licensee with market power. This is contrary to Congressional intent because it facilitates excessive concentration and discourages diverse ownership and competition. Further, ala carte combinatorial bidding is overly complex and bid valuation comparisons are unworkable.

In light of Congressional intent to encourage rapid deployment and diversity of ownership, Sprint supports installment payments that will free capital for deployment and allow more

ownership diversity among those that need to fund payments from customer cash flow. Further, reducing up front costs through short form only filings is appropriate.

Sprint believes that consortia will facilitate diversity of ownership and will assist in meeting Congressional objectives. Collusion is not a problem because of the large number of expected bidders.

Sprint asserts that these refinements will produce a more economically efficient PCS auction format that fulfills Congressional intent.

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REPLY COMMENTS OF SPRINT CORPORATION

I. INTRODUCTION

Sprint Corporation ("Sprint"), on behalf of Sprint Cellular Company, Sprint Communications Company, L.P., and the United and Central Telephone companies, respectfully submits its reply comments in the above referenced proceeding.[1] The subject of PCS has attracted significant attention over the past few years and this proceeding has generated a high level of interest, with the filing of over 180 sets of comments. The Commission will clearly have sufficient input from interested parties to use in its decision making process.

As discussed further below, a majority of the comments show that combinatorial bidding is inappropriate for PCS licenses. The Congressional goals of diversity, avoidance of excessive concentration and rapid deployment of PCS would be thwarted by

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1. In the Matter of Implementation of Section 309(j) of the Communications Act Competitive Bidding, PP Docket No. 93-253, Notice of Proposed Rulemaking, released October 12, 1993 ("NPRM").

combinatorial bidding. Sprint believes that achievement of these goals should be of paramount concern in the design of PCS spectrum auctions.

II. COMBINATORIAL BIDDING SHOULD NOT BE ALLOWED

A. Combinatorial Bidding Conflicts with Requirements of Section 309(j).

One of the primary Congressional objectives in the PCS competitive bidding enabling legislation, found in Section 309(j), is to promote competition and diversity of ownership in PCS while avoiding excessive concentration. A combinatorial bid across all 51 MTAs fails to fulfill, and in fact is inconsistent with, this objective.

AT&T notes this failure[2] and points out that a mere two nationwide combinatorial bids could override 102 other MTA auctions. Further, AT&T shows that combinatorial bidding, as contemplated in the NPRM, is neither simple nor administratively efficient. Indeed, it is overly complex and does not provide the certainty needed by individual bidders.[3] BellSouth also argues that combinatorial bidding is contrary to the intent of Section 309(j). It excludes potential licensees from serious opportuni-

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2. AT&T at 6.

3. Id. at 7.

ties in PCS, and it results in unwanted concentration.[4] Sprint agrees with these assessments.

The Commission has already concluded that it should not grant a nationwide license but should allow aggregation of multiple licenses.[5] In view of Congressional concern with excessive concentration, and the fact that national licenses have been rejected by the Commission, the Commission should not now establish a combinatorial bidding scheme designed to award national licenses. Clearly, based on Congressional intent and prior Commission action, combinatorial bidding as contemplated in this NPRM is contrary to the public interest.

B. Combinatorial Bidding Neither Maximizes Governmental Revenue Nor Awards Licenses to the Highest Value Bidder.

Combinatorial bidding for a nationwide license, as proposed by the Commission, may result in depressed PCS auction revenues. BellSouth identified the "exclusion of cellular carriers" from combinatorial bidding as a serious problem.[6] Because several of the large communications companies are cellular providers, they are barred from placing nationwide combinatorial bids as contemplated by the Commission. This would significantly reduce the

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4. BellSouth at 6-7.

5. Amendment of the Commission's Rules to Establish New Personal Communications Services, Second Report and Order, GEN Docket No. 90-314, RM-7140, RM-7175, RM-7618, Released October 22, 1993 at paras. 64-78 ("Allocation Order").

6. Id. 7-8.

level of competition for these licenses because AT&T/McCaw, the RBOCs, GTE, Sprint, TDS, and many others would be excluded from participation in combinatorial bidding. With significantly lessened competition, the value of and revenue from combinatorial bidding will be artificially depressed. Further, the exclusion of many of the major telecommunications companies will increase the possibility that a dominant national PCS provider with market power will emerge.

There is no reason to believe that combinatorial bidding will lead to license awards to the highest value bidder. Further, combinatorial bidding is subject to "bullying equilibrium" as explained by R. Preston McAfee.[7] Dr. McAfee explains that when bidders for individual licenses believe that the national combinatorial license will be the winning bid, many potential bidders may not participate, and the bidders that do participate will invest less in researching the value of licenses. This reduction in research will have two effects. First, there will be less bidding competition and therefore lower bids and lower government revenue. Second, the reduced research by bidders on individual licenses increases the likelihood that a national combinatorial bidder will win even if it is not economically

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7. Auction Design for Personal Communications Services, R. Preston McAfee, University of Texas, PacTel Exhibit at 12 (hereinafter McAfee).

efficient. This will result in license award to a party other than the highest value bidder.

Paul R. Milgrom and Robert B. Wilson explain that combinatorial bidding may not result in license award to the highest value bidder because of the "free rider" problem, which results from the inability of winning bidders in separate auctions to coordinate their actions. Because of this problem, bidders in individual auctions will bid only slightly higher than the second highest bidder's value in that auction. A combinatorial bid need only best the sum of the second highest bidder's value in the auctions, which may be substantially less than the actual value.[8] Therefore, the outcome may be economically inefficient and the government's revenue may not be maximized. The loss of government revenues caused by the "free rider" problem is increased if there is only one national bidder because competition between serious bidders would force the winning nationwide bid to be closer to its true value. To the extent that MCI is the only viable nationwide bidder, the loss of revenue to the government is further increased.

C. Combinatorial Bidding Is Inherently Unfair.

Drs. Milgrom and Wilson explain that the Commission's bidding scheme is inherently biased in favor of combinatorial

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8. Affidavit of Paul R. Milgrom and Robert R. Wilson, Stanford University, Attachment to Pacific Bell at 6-7 (hereinafter Milgrom and Wilson).

bidding.[9] TDS, parent of US Cellular, stresses that smaller businesses are disadvantaged in a combinatorial bidding scheme that favors deep pockets and large businesses that can afford to undertake the massive research needed to prepare such a bid.[10]

TDS further notes that the creation of a dominant national player through combinatorial bidding opens the door to unfair market practices. A national player may unfairly target smaller regional or local players to either discipline their behavior or drive them out of business.[11] This possibility is supported by Robert J. Weber.[12] Dr. Weber believes that a non-competitive market could result. Further, if national licenses are issued, innovation and experimentation may be suppressed.[13] This would result in a failure to provide truly innovative services to the public and would be clearly contrary to the public interest.

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9. Id. at 9 and 11.

10. TDS at 7.

11. Id. at 12.

12. A Proposed Auction Methodology for the Allocation of PCS Licenses, Dr. Robert J. Weber, Northwestern University, Attachment to TDS Comments at 5 (hereinafter Weber).

13. Id. at 8.

D. There Is No Compelling Reason to Adopt Combinatorial Bidding.

The vast majority of comments support Sprint in strongly opposing combinatorial bidding.[14] Only a few favor combinatorial bidding for all 51 MTAs[15] or for subsets of licenses.[16]

Some comments support combinatorial bidding claiming it will facilitate development of a national license.[17] As shown above, the Commission already rejected a national license in its Allocation Order and a national license is contrary to Section 309(j) of the enabling statute.

Others claim combinatorial bidding facilitates regionalization while minimizing transaction costs. Thus, some comments support combinatorial bidding for any combination of licenses the bidder desires.[18] This could result in chaos. Dr. McAfee calculates the total number of possible MTA combinations to be

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14. See, e.g., Pacific Bell at 6-9, Paging Network at 18-22, Arch Communications Group at 12-16, AT&T at 4-8, BellSouth at 6-11, CCI at 7-11, ComCast at 4-9, Cox Enterprises at 6, Geotek at 11, GTE at 6-8, McCaw at 7-14, PacTel at 4, Rochester Telephone at 10, Rural Cellular Association at 6-9, Southwestern Bell at 22-27, and Telocator at 5-6.

15. See, e.g., Bell Atlantic at 14, CTIA at 25-28, JMP Telecom Systems at 4, MCI at 7, Pacific Telecom Cellular at 2, and Point Communications at 2.

16. See, e.g., Ameritech at 4-5, and Nextel at 9-10.

17. See, e.g., MCI at 8 and JMP Telecom Systems.

18. See, e.g., Nextel at 10.

2,251,799,685,247.[19] Even Ameritech, a supporter of combinatorial bidding, notes that allowing unlimited bidding combinations probably adds too much complexity to the process.[20] Drs. Milgrom and Wilson agree that it will be too hard to compare bid values if unrestrained combinatorial bidding is allowed.[21]

Because of the complexity and loss of value involved in combinatorial bidding, Sprint urges its rejection.

E. MCI Seeks An Unfair Advantage Through Its Combinatorial Bidding Proposal.

MCI seeks to restrain competition for national combinatorial PCS licenses by excluding a majority of the major telecommunications companies against which it expects to compete. MCI asks the Commission to exclude AT&T, McCaw, the RBOCs, GTE, and without mentioning them by name, Sprint, and probably US Cellular.[22] MCI asks that one MTA band be sheltered from bidding competition by these cellular providers.[23]

What MCI seeks is nothing more than the opportunity to bid on a PCS national license set-aside without competition from companies with cellular affiliates that would otherwise drive up

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19. McAfee at 12.

20. Ameritech at 5.

21. Milgrom and Wilson at 12.

22. MCI puts forth a market test that excludes Sprint and probably excludes TDS. MCI at 6.

23. MCI at 4.

the price in MTA-by-MTA auctions. To further stack the deck in its favor so that it has a greater opportunity to gain a national license at less than market value, MCI seeks to stop cellular carriers from bidding on this spectrum even if they divest their cellular holdings within a reasonable period.[24] MCI further seeks the opportunity to withdraw its bids if it so desires. Withdrawal of bids is inappropriate and further biases the bidding process in favor of combinatorial bidders.

MCI claims its proposed set-aside is appropriate because cellular carriers received their spectrum for free and thus have an unsurpassable competitive advantage.[25] MCI further claims that existing cellular carriers have an incentive not to compete with one another.[26] As explained below, both of these reasons for barring cellular carriers from bidding on one MTA band of spectrum are meritless.

MCI's claim that all cellular companies received their spectrum for free is totally erroneous. While it is true that there were no license charges incurred by the original licensees for cellular spectrum, the cellular operators to whom many of the original licenses were sold paid handsomely for their spectrum.

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24. Id. at 20.

25. Id. at 5.

26. Id. and Designing PCS Auction Rules to Encourage Competition, Daniel Kelley (Hatfield Associates) Attachment to MCI at 12-13.

As is well known, Congress's decision to license PCS and other spectrum-based services by competitive bidding was partly a response to such speculative activity, which lined the pockets of many lottery winners at the expense of actual cellular operators, but provided no revenues for the Federal government. Thus, cellular companies that purchased spectrum in this fashion did not receive it for free.

Further, the network architecture and equipment used in PCS will differ markedly from that used in cellular. If cellular carriers gain PCS licenses in new markets they must incur the same construction and licensing costs as MCI or any other PCS licensee. Because the cost of acquiring cellular spectrum is "sunk" it will have little impact on future PCS competitiveness. That is, the future actions of cellular carriers will not be affected by their past spectrum acquisition cost. No unsurpassable advantage exists. Indeed, if the Commission's proposal for combinatorial bidding of the 51 MTAs is adopted, its likely that MCI will acquire an unsurpassable competitive advantage through its nationwide wireless network that other carriers lack.

MCI and Daniel Kelley also ask the Commission to believe that the current cellular carriers and their owners will not compete with one another in the PCS market.[27] While Sprint agrees that a duopoly exists in cellular at the local level and that

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27. Id.

local cellular competition is somewhat limited because of this structure, it does not follow that current cellular carriers will tacitly agree not to compete more broadly with other cellular providers in a PCS market. One need look no further than AT&T/McCaw competing with Sprint, U S West/Time Warner competing with the other RBOCs, Southwestern Bell competing through its Media General cable affiliate in Bell Atlantic territory, or BellSouth competing through its Prime Cable affiliate in Southwestern Bell and Sprint/Central Telephone-Nevada territory to see how competition in the wireless market will grow. The MCI claim in meritless.

MCI's request to shelter itself from PCS bidding competition should be soundly rejected, as should its attempt, detailed above, to use combinatorial bidding.

III. ORAL SEQUENTIAL BIDDING SHOULD BE USED FOR PCS AUCTIONS

After thoroughly reviewing the comments, Sprint concludes that oral sequential bidding should be adopted for PCS auctions. The sequence should be largest to smallest MTA, because this sequence will maximize the amount of final information that will be released in a timely manner. The BTAs should be similarly auctioned.

Sprint believes that this system is superior to any other system proposed. Several economists provided their opinions on what form the auctions should take.[28] It is clear from a review

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28. Designing the PCS Auction, Barry J. Nalebuff (Yale University) and Jeremy I. Bulow (Stanford University) attachment to Bell Atlantic Comments. Drs. Nalebuff and Bulow support an oral Japanese auction, with sequential auctioning of both MTAs, then other auctions of similar blocks. Combinatorial bidding would be allowed.

R. Preston McAfee supports simultaneous sealed bids over several bidding rounds. Dr. McAfee claims simultaneous bidding assists in license aggregation and limits potential collusion. Further, he claims simultaneous bidding provides the most information to bidders.

Paul R. Milgrom and Robert B. Wilson propose simultaneous sealed bids or open electronic bidding. This allows, they claim, maximum information about prices. They claim simultaneous bidding is superior to sequential bidding because early sequential bidders lack information and must guess about price, and as a result risk increases and early round prices may reflect this risk.

A Public Interest Assessment of Spectrum Auctions for Wireless Telecommunications Services, Robert G. Harris and Michael L. Katz (University of California at Berkeley) Exhibit of NYNEX. Drs. Harris and Katz believe that licenses should be auctioned simultaneously using oral electronic methods. Sealed bids are inferior because bidders lack information on other bids. Open simultaneous bidding provides a greater quantity of information than sealed bids or sequential bids. Sealed bidders, when successive rounds are used, lack knowledge of the next-highest bid value. Sequential bids are more vulnerable to "hold-up" as one party attempts to bid up the price of a parcel to the detriment of another. Combinatorial bidding solves this problem, according to Drs. Harris and Katz.

Robert J. Weber explains that in his opinion all MTA licenses should be sold, then the BTA licenses sold. The MTAs should be ordered by population from largest to smallest and the auctions should be sequential, one MTA at a time, but selling both spectrum blocks using simultaneous ascending-bid auctions. Sealed bid auctions should not be used because the bidder is required to make strategic guesses about spectrum valuation. An ascending bid auction provides more information, eliminates bidder regret, and mitigates the price suppressive effects of Winners Curse. Sequential sales will facilitate regional clustering while allowing smaller applicants to compete for the MTAs between regions. Finally, this oral method will likely be more time efficient than successive rounds of sealed bids.

of the experts' comments that there is not general agreement on bid design or sequence. Nevertheless, with the notable exception of Dr. Kelley, whose opinions were included with MCI's comments, the great majority believe that providing more information is beneficial, and that open bidding is appropriate. In this context, if combinatorial bidding is adopted, combinatorial bids should be opened and disclosed before individual bids are made on MTAs. Disclosure of this valuation information is appropriate and should assist in reaching an economically efficient conclusion to the bidding process.

A major question that arises in this context is which bid design and sequence provides the most useful information. Those that support simultaneous bidding, either through multiple rounds of simultaneous closed bids or open simultaneous electronic bids, assume that a high volume of quality information is provided through simultaneous bidding schemes. Sprint is not convinced that this conclusion is correct.

(Footnote 28 continued from previous page)
Daniel Kelley believes that PCS licenses lack common value and more closely resemble items with private value. In a private value auction, oral and sealed bids will produce equivalent bids. Dr. Kelley questions the value of bidding and valuation information provided to others through an oral auction. He also complains about cellular carriers' eligibility to bid and the possibility that bids may be higher because of cellular participation. Sealed bidding works against a cellular carrier bidding up spectrum costs. Finally, Dr. Kelley believes that information dissemination should be encouraged in common value auctions. Electronic bidding may be appropriate.

Sprint asserts that sequential oral bidding provides information that is superior to that provided through simultaneous bidding. Thus, the timing of bid closing on individual licenses significantly affects the quality of information provided by simultaneous bidding. In general, nothing is known about closing prices in simultaneous bidding until the final transactions have taken place. As bidding progresses, many parties may drop out of the bidding, assuming they can't win bids. They may find, however, that bids for many properties remain static until the closing but that their withdrawal precludes them from reentering the bidding.[29] Thus, while much information is available, the quality -- the finality -- of that information is lacking.

By comparison, sequential auctions provide information that is both very useful and final. Although little information is available during the first few license auctions, as further auctions continue, very dependable final sale valuation information becomes immediately available. Sprint asserts that this higher quality information is more useful than the greater quantity of tentative value information provided in simultaneous auctions. Because more dependable information is available from sequential bidding, Sprint asserts that the sequential procedure will pro-

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29. See Milgrom and Wilson at 19.

mote better bidding dynamics and greater economic efficiency than simultaneous bidding.

Further, if simultaneous auctions do not all close simultaneously, the aggregate value of licenses will be unknown. This problem is exacerbated if firms utilize "lay low" strategies, hoping to surprise the market at the last minute of bidding.

Finally, Sprint asserts that knowledge of bidders' identities in each case is very important. If more and better quality information is superior to less and lower quality information, then information that identifies the bidders is better and is in the public interest.

Drs. Harris and Katz support bidder anonymity to prevent preemptive bids designed to disadvantage specific competitors and to make collusive bidding more difficult.[30] As explained below, because of the sheer number of bidders and the openness of the bidding, collusion should not be a problem, and this concern should be dismissed. Further, as Drs. Milgrom and Wilson explain, the identity of the bidders is important to "enhance efficiency" when the "identity of a firm's competitors in a given market has an impact on its value of the license." This information affects economies of scale and scope and is very important in valuation decisions.[31] The identity of the bidders also pro-

30. Harris and Katz at 9.

31. Milgrom and Wilson at 21.

vides useful information on the value of alternative aggregation strategies.

Sprint supports a bid design and sequence that maximizes the acquisition of useful final information. This design and sequence requires open oral sequential bidding. Sprint believes that other bid designs and sequences are inferior.

IV. LONG FORM APPLICATIONS SHOULD BE REQUIRED AFTER WINNING BIDS.

Sprint agrees with the majority of the comments that long form applications should be required only of winning bidders,[32] and agrees that if filings are found deficient, a short period to cure deficiencies should be adopted.[33] Sprint believes that the Commission should either allow amendments to applications up to the time of bidding or waive minor ownership changes in consortia which might occur up to the time of actual grant of the license. A "letter perfect" standard would freeze consortium membership to those in the consortium at the time an application is filed. This is far too static and is an unreasonable restriction on the formation of these business alliances. In light of this problem, granting time to cure application deficiencies is appropriate.

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32. See e.g., BellSouth at 35, Cellular Service at 15, CTIA at 25-28, MCI at 17-18, PacTel Corporation at 8, and Telocator at 13 and 17.

33. See e.g., AT&T at 30-31, BellSouth at 36-37, and U.S. Intelco at 22.

V. TIME PAYMENTS SHOULD BE ALLOWED FOR ALL LICENSEES.

Some parties support up-front payment of the full bid for most licenses before the license is granted.[34] The preponderance of the comments support time payment plans.[35] Sprint and Rochester Telephone clearly explains that the Commission could encourage rapid deployment of PCS by freeing capital for construction and deployment rather than requiring up-front license payments.[36] Sprint asserts that installment payments will free needed capital that will foster the Congressional mandate for rapid PCS deployment. Thus, up-front payments for the total price of the license should be rejected in favor of installment payments.

Sprint also notes that Motorola has requested a security interest in licenses where it serves as a creditor and, upon default, the right to operate those licenses.[37] Sprint does not oppose the grant of security interests to creditors. However, it believes that arrangements such as the one described by Motorola could lead to abuse in the form of hidden principals using others

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34. See e.g., Paging Network at 22, AT&T at 33-35, GTE at 9, MCI at 13, Rural Cellular Association at 10, Southwestern Bell at 36, and TDS at 16.

35. See, e.g., NTCA at 11, Point Communications at 4, Rochester Telephone at 13, Rural Telephone at 3, Sprint at 16-17, Fibersouth at 5-6, OPASTCO at 3, TRW at 38-29, Venus Wireless at 4, Windsong Communications at 4-5, and U.S. Intelco at 13.

36. Sprint at 16-17 and Rochester Telephone at 13.

37. Motorola at 9-10 and 14.

to front for them. Upon a planned default, these hidden principals would automatically become the successors in interest.

Sprint believes that a better solution would be to grant creditors a limited security interest that would allow any additional payments for the spectrum upon transfer or relicense to be paid first to the secured creditor. A full security interest in equipment, of course, is appropriate.

VI. COLLUSION IS NOT A PROBLEM.

By and large the comments stress that the current antitrust laws are sufficient or that no rules are needed to protect against collusion.[38] Nextel notes that collusion cannot succeed because of the large numbers of expected bidders.[39] Southwestern Bell states that oral auctions will prevent collusion.[40]

In opposition to this widespread showing of confidence that collusion will neither occur nor succeed, and if it were to occur that the antitrust laws would provide sufficient protection, stands Rochester Telephone. Rochester is concerned that the term "consortia" is not defined and that because of this fact groups that do not qualify as corporations or partnerships could form

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38. See e.g., Arch Communications Group at 16-19, AT&T at 39 MCI at 16-17, Pacific Bell at 29, Paging Network at 28, Sprint at 19, and Telocator at 5.

39. Nextel at 6.

40. Southwestern Bell at 19-20 and 32.

and collude to the extent that only one bid is made for a given license.[41]

Sprint asserts that this concern is unfounded. As Nextel and Southwestern Bell state, the open nature of the bidding and the number of potential bidders will defeat any potential collusion scheme. The number of parties filing in this proceeding--above 180--is a clear indication that there is a very large pool of potential bidders; therefore, Rochester's concern is without basis and should be dismissed.

If the Commission desires to provide further guidance concerning the definition of allowable consortia and what such consortia may do, then it should adopt the proposal of NYNEX and work with the Department of Justice in issuing guidelines concerning what constitute permissible activities for a consortium.[42]

TRW and American Wireless Communications clearly endorse consortia and find them to be in the public interest because they will facilitate the entrance of a diversity of PCS providers into the market.[43] Sprint agrees that the consortium concept fulfills

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41. Rochester Telephone at 11.

42. NYNEX at 21-22.

43. TRW at 29-30 and American Wireless Communications at 27-28.

Congressional goals of diversity and avoidance of undue concentration.[44]

VII. INTERMEDIATE MICROWAVE LINKS SHOULD NOT BE COMPETITIVELY BID.

The Commission asked whether it should auction intermediate microwave links. With few exceptions[45] the industry overwhelmingly opposed auction of intermediate microwave links.[46] Indeed, House of Representatives Energy and Commerce Committee Chairman John D. Dingell, in his November 15, 1993 letter to Acting Commission Chairman Quello, notes that intermediate links "use of the spectrum is incidental to some other service" and that "subjecting these licenses to competitive bidding procedures would be inappropriate."[47]

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44. Sprint at 7-12. Sprint opposes set asides for Designated Entities. Other parties also opposes set asides. See, e.g., NYNEX at 19, PacTel Corporation at 4-5, Association of Independent Designated Entities at 7-9, BellSouth at 14-17, and Telocator at 8,. Others noted the difficulty small businesses have in obtaining construction funds even if they receive a license. See, Paging Network at 25-26. The solution to these problems is allowing and fostering consortia that include Designated Entities that bring with them the other preference based benefits. This solution has wide support. See, e.g., American Wireless Communications at 37-38, AT&T at 13-14, BellSouth at 18-21, Pacific Bell at 21, Venus Wireless at 22-24, and Sprint at 19-21.

45. See CTIA at 31-35 and Arch Communications Group at 10.

46. See, e.g., AT&T at 20-23, Cox Enterprises at 8-9, GTE at 3-4, McCaw at 23-29, NTCA at 16, OPASTCO at 12, Pacific Bell at 18, Rochester Telephone at 25, Telocator at 18, and USTA at 2.

47. Dingell November 15, 1993 letter at 2.